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REPORT TO THE UNITED NATIONS BOARD OF AUDITORS AND THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY QUESTIONS REGARDING GENERAL ASSEMBLY RESOLUTION 48/216

SUMMARY

The present document reports on the measures taken by UNICEF to comply with General Assembly resolution 48/216. It presents an update on the steps taken in response to the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1990-1991.

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I. INTRODUCTION

1. In its resolution 47/211 of 23 December 1992, the General Assembly requested the Secretary-General and executive heads of United Nations organizations and programmes to submit to the General Assembly at its forty-eighth session a report on the steps taken (a) to strengthen budgetary control; (b) to make purchasing policies more cost-effective and transparent by reducing exceptions to competitive bidding and recording reasons for exceptions in writing; (c) to give priority attention to compliance with the recommendations of the Board of Auditors on the hiring, granting of remuneration and performance evaluation of experts, consultants and personnel engaged on a short-term basis; (d) to install a more effective system of managing and controlling the granting of allowances and benefits to staff members; and (e) to tighten control over the inventory of non-expendable property.

2. In its resolution 48/216 B of 23 December 1993, the General Assembly urged the executive heads of a number of United Nations organizations and programmes to comply fully with paragraphs 9 and 10 of its resolution 47/211. It should be noted that UNICEF was not among those identified.

3. In resolution 48/216 B the General Assembly reiterated its request to the executive heads of United Nations organizations and programmes and requested the Secretary-General to submit reports on measures taken or to be taken in response to the recommendations to the Board of Auditors, including timetables for their implementation, to the General Assembly at its resumed forty-eighth session, through the Advisory Committee on Administrative and Budgetary Questions.

4. The General Assembly also requested the executive heads of United Nations organizations and programmes, in preparing the above-mentioned reports, to give particular attention to the recommendations of the Board of Auditors regarding procurement, the employment of consultants and property accountability in field missions.

5. The General Assembly further requested the Secretary-General and the executive heads of United Nations organizations and programmes to draw attention in such reports to the recommendations of the Board of Auditors, the implementation of which would require action by the Assembly.

6. In compliance with General Assembly resolution 48/216, the present report will review each request in the light of UNICEF experience.

7. The present document is submitted to the United Nations Board of Auditors and the Advisory Committee on Administrative and Budgetary Questions for their evaluation.

II. REPORT ON STEPS TAKEN ON THE FIVE RECOMMENDATIONS OF THE BOARD OF AUDITORS

8. The five recommendations mentioned in paragraph 1 above are based on the major findings of the Board of Auditors in the audit of all United Nations

organizations and programmes. Only two of the five recommendations were included in the report on the audit of the UNICEF accounts for the biennium 1990-1991. These pertain to items (a) and (e) in paragraph 1 above.

9. The report on the audit of the UNICEF accounts for the previous biennium did not include the recommendations for item (b) regarding procurement, item (c) on the hiring of consultants, experts and short-term staff and item (d) regarding allowances and benefits for staff. The organization's present policies and procedures for those three areas were described in document E/ICEF/1993/AB/L.3, which was submitted to the Executive Board at its 1993 regular session.

10. This section presents an update on the steps taken on the two recommendations regarding items (a) and (e) in paragraph 1 above.

Recommendation No. 1

11. To strengthen budgetary control to avoid overexpenditures of approved budgets or allotments.

Measures taken by UNICEF

12. The administration continues to give priority attention to the issue of overexpenditure in its programme and administrative budgets. In the report submitted to the Executive Board at its 1993 regular session, the steps taken to address the problems were identified as set out below:

(a) The secretariat regularly reviews and monitors the budgetary allotments of all offices, the results of which are provided to the field offices on a regular basis;

(b) In addition, a special report on overexpenditures in the programme budgets is now being prepared and sent to the field offices on a monthly basis to facilitate (i) the review of transactions that caused the overexpenditures; (ii) the reconciliation of field office records with the headquarters report; and (iii) the immediate preparation of the necessary adjustments to the accounts;

(c) Field offices are also reminded regularly, during regional workshops, training sessions and by means of written communication, of the critical importance of monitoring and reconciling their budgetary accounts.

13. It was also reported that an automatic "lock-up" facility was included in version 1.5 of the Global Field Support System released to the field offices in December 1992. This version of the support system has the facility of checking funds availability at various levels, i.e., at budget allotment levels, at the obligating level and at the payment level. The system can inhibit any financial activity that would be in excess of the authorized funds at those levels.

14. In addition, the following steps were taken in 1993:

(a) In July 1993, the "external payments" system was implemented. "External payments" are defined as charges made against a particular office's budget by other offices. The new system provides New York headquarters with the facility to download the "external payments" on to a diskette and allows the field offices to upload such data into their local databases. This process ensures completeness of database information at the field office level;

(b) The new registration system of the accounting system was designed and partially implemented in 1993, with full implementation targeted for 1994. With the new system, accounting entries giving rise to overexpenditures, which have been accepted at offices outside of New York headquarters, will be highlighted. This will facilitate follow-up action by headquarters.

15. In 1994, the administration will evaluate the effectiveness of the controls that have been put in place.

Recommendation No. 2

16. To tighten control over the inventory of non-expendable property in all locations, including peace-keeping operations.

Measures taken by UNICEF

17. In 1992, the administration issued instructions prescribing procedures for accounting, the maintenance of records and the conduct of annual inventory-taking for non-expendable property. Compliance with those instructions was monitored in 1993 and appropriate follow-up action taken as necessary.

III. PROGRESS REPORT REGARDING SPECIFIC MEASURES TAKEN TO IMPLEMENT PREVIOUS RECOMMENDATIONS OF THE BOARD OF AUDITORS

18. This section restates a number of recommendations of the Board of Auditors deriving from the audits of the UNICEF biennial accounts for the biennium 1990-1991 1/ and, following each recommendation, describes the specific measures taken by UNICEF to date to implement the recommendations. The relevant recommendations of the Advisory Committee on Administrative and Budgetary Questions have also been taken into consideration in adopting these measures. The two recommendations included in the report on the audit of the 1990-1991 accounts that relate to the five items mentioned in paragraph 1 above are included in section I and not in this section.

Recommendation No. 1

19. To make the procurement services self-sustaining, the following measures should be taken:

(a) Staff costs charged to the procurement services account should be reviewed and appropriate reductions made. In the future the number of posts should be commensurate with the volume of projected procurement services;

(b) Expenditure monitoring should be strengthened to keep operating costs down;

(c) The present rate of handling charges should be reviewed to reflect operating costs.

Measures taken by UNICEF

20. The administration has taken steps to ensure that procurement services activities are self-sustaining. In the light of the changes listed below, the administration anticipates that income from handling charges will now be sufficient to cover the expenditures related to the procurement services account:

(a) As the Executive Board was advised in 1993, after a review of the reasonableness of the handling charges, the rates have been increased from 4 per cent to 6 per cent for warehouse and vaccine orders and from 6 per cent to 8 per cent for non-warehouse items with effect from 1 July 1992;

(b) Effective 1994, the number of posts charged to procurement services income has been reduced from 57 to 38. This reduction was reflected in document E/ICEF/1993/AB/L.1 and Corr.1 and 2, submitted to the Executive Board at its 1993 regular session.

21. Further, the monitoring of income and expenditure in connection with procurement services is now managed entirely by one office. This will ensure a more effective control of the costs of providing the service than the previous procedures where the monitoring responsibility was split between two offices.

Recommendation No. 2

22. With regard to cash advances to Governments:

(a) UNICEF should re-dedicate itself to ensuring full compliance by its field offices with the requirement on the release of new advances (now referred to as "cash assistance") only upon the liquidation of prior ones;

(b) Field offices should provide yearly estimates of cash assistance required for disbursement to Governments in the course of the year;

(c) A separate input code should be introduced to record cash assistance paid out so that a global figure can be obtained for purposes of control and follow-up.

Measures taken by UNICEF

23. The accounting instruction redefining the accounting procedures, entries and a separate input code for cash assistance was issued in October 1993. In 1994, the administration will evaluate implementation of the instruction by the field offices, determine areas for improvements and provide assistance and follow-up where necessary.

Recommendation No. 3

24. The payments of salary allowances and other cash incentives to government employees involved in the implementation of UNICEF-assisted programmes should be discontinued, pending the development of an appropriate policy for consistent application world wide.

Measures taken by UNICEF

25. In line with the recommendation made by the auditors in their follow-up of this recommendation, the administration prepared preliminary policy guidelines on the payment of salary and salary incentives to government employees working in UNICEF-assisted programmes and projects. The Joint Consultative Group on Policy (JCGP) is now in the final stage of the study on this issue. As soon as the final results of the study are ready, the administration will review the preliminary guidelines and ensure that these are aligned with the recommendation of the JCGP working group.

Recommendation No. 4

26. Project planning should adequately articulate implementation requirements to enhance programme delivery. In addition, circumspection is advised in the reallocation of funds from slow-moving projects to fast-moving ones, so that the policy does not result in the unconscious neglect of projects located in "difficult" areas which have perennial implementation problems.

Measures taken by UNICEF

27. The administration continues its effort to improve monitoring capacity, thereby helping field offices maximize programme implementation. In their management letter for the second interim audit of the 1992-1993 accounts, the auditors commented on the fact that the increased programme expenditures in 1992 contributed to the significant drop in the income surplus as at the end of 1992. The auditors indicated that this suggested improved programme delivery.

Recommendation No. 5

28. Decisions taken in emergency situations should be regularly reviewed to establish their continuing validity to ensure that services are provided with due regard to economy.

Measures taken by UNICEF

29. The administration has taken all steps to implement the recommendation and is confident that no further action is necessary.

Recommendation No. 6

30. UNICEF should reassess the adequacy and appropriateness of its present liquidity policy, given the recurring significant excesses over the established requirement.

Measures taken by UNICEF

31. As the Executive Board was advised at its 1993 regular session, excess liquidity was not the result of the liquidity policy itself, but the result of income exceeding projections and programme expenditure not meeting projections. The administration will assess the organization's latest liquidity position in the light of the income and expenditures for the biennium 1992-1993.

32. Further, after their second interim audit for the biennium 1992-1993, the auditors suggested that a revised format for the presentation of the liquidity position be prepared. In the process, the administration will take into account improved transparency in financial reporting.

Recommendation No. 7

33. In keeping with current United Nations practice, the value of non-expendable property, of which the ownership remains with UNICEF, should be disclosed in a note to the financial statements.

Measures taken by UNICEF

34. The value of non-expendable property submitted by the UNICEF offices was disclosed in the notes to the financial statements for the year ended 31 December 1992. The value, as at the end of 1993, will also be disclosed in the notes to the financial statements for the biennium ended 31 December 1993.

Recommendation No. 8

35. In the Greeting Card and related operations, the effects of unfavourable exchange rate fluctuations should be minimized by resolving the timing difference in the recognition of sales of balance sheet date (30 April) and the dates actual payments are made by sales partners (after 31 August).

Measures taken by UNICEF

36. The administration has recommended the incorporation of a clause in the draft recognition and cooperation agreement which calls for a remittance date that is closer to the balance sheet date of 30 April than 31 August. This draft agreement, when finalized, will be submitted to the National Committees for UNICEF for their concurrence.

Recommendation No. 9

37. During fund-raising activities, prospective donors should be encouraged to provide sufficient information on their contributions to facilitate their accounting, acknowledgement and effective utilization. In this connection, a standard advice form indicating the relevant information may be completed by donors.

38. Unless otherwise specified by donors, all multi-year contributions received should be recognized as income to the supplementary fund in accordance with the donor's intent as specified in the disbursement schedules.

Measures taken by UNICEF

39. The administration has finalized the financial circular, which clearly defines the income recognition policies of the organization. After its issuance in 1994, the administration will monitor implementation thereof to ensure adherence to the policies.

40. The administration continues to exert efforts to obtain relevant information on the disbursement schedule, the currency of payment and the status of parliamentary approval.

Recommendation No. 10

41. Necessary assistance should be provided to facilitate the completion of the "clean-up" of the staff personal accounts.

Measures taken by UNICEF

42. The review of balances in the staff personal accounts that were identified for inclusion in the "clean-up" has been completed. The administration will ensure that the necessary adjustments noted during the review process will be completed in 1994. Further, in 1993, the administration took the following steps to emphasize the importance of the account:

(a) A new accounting instruction on staff personal accounts was issued;

(b) A letter from the Comptroller was sent to all UNICEF offices emphasizing the need for adherence to financial and accounting policies as these relate to staff personal accounts;

(c) A new system to monitor advances and their recoveries for staff under the New York headquarters payroll has been developed and is in its initial stage of implementation.

43. In 1994, the administration will monitor compliance with the instructions and ensure follow-up action where necessary. Further, the administration will evaluate the operation of the new system for efficiency and effectiveness.

IV. RECOMMENDATION THAT WOULD REQUIRE ACTION BY THE GENERAL ASSEMBLY

44. The administration does not see any recommendation of the Board of Auditors that would require action by the General Assembly.

Notes

1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 5B (A/47/5/Add.2).